

Internal Revenue Service  
Director, Exempt Organizations  
Rulings and Agreements

Department of the Treasury  
P.O. Box 2508 - Room XXXX  
Cincinnati, Ohio 45201

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Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

LEGEND

UIL 4945.04-04

B = Foundation  
C = Scholarship Program  
D = City, State  
E = Program Administrator  
F = For-profit Company  
x = \$ amount

Dear :

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated, October 20, 2008.

Our records indicate that B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that B will operate a grant-making program called C, to provide educational funding to students within the city limits of D. B will be awarding 150 scholarships in the amount of x each to students who are high school seniors graduating from public schools located in D. The selection of a recipient each year will be based on the following criteria: past academic performance and future potential, unusual personal or family circumstances, leadership and participation in school and community activities, work experience, statement of career and educational aspirations and goals, and an outside appraisal. Scholarships awarded from C are one-time only. When a scholarship is awarded, there is no requirement, condition, or suggestion, express or implied, that the recipient is expected to render future employment services, or be available for such employment to F or any subsidiaries of F or B. F employees and children of employees are not eligible to apply.

The scholarship program will be implemented under the supervision of E. Selection of recipients will be conducted by E. No employees of E and affiliates, or any businesses related to the officers/directors of B are eligible to receive a scholarship distribution. The program will be communicated to the public high schools in D through the mailings of brochures/ applications to all schools.

The funds will be paid directly to E on behalf of B. E will then be responsible for granting the individual scholarships to the selected program recipients. E, on behalf of B, will confirm the recipient's full-time enrollment in the fall term of 2009 at an accredited two-year or four-year college or university which constitute educational organizations described in I.R.C. Section 170(b)(1)(A)(ii).

Students will be notified that grants may only be used to pay "qualified tuition and related expenses". E will make checks payable to the qualified educational institution for the student. E will investigate any possible misuse of funds, withhold further funds during the investigation if a misuse of funds is discovered, seek recovery of misused funds, and seek to assure the dedication of remaining funds to charitable purposes. The grantor will obtain reports to determine whether the grantees have performed the activities that the grants are intended to finance.

The organization agrees to maintain records which include the following:

- a. Information used to evaluate the qualification of potential grantees;
- b. Identification of the grantees (including any relationship of any grantee to the private foundation), the amount and purpose of each grant; and
- c. All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and

- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director of Exempt Organizations  
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